

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 IO-10 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01

USIA-06 /089 W

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R 190715Z NOV 74

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 0548

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DEPT PASS AID/NESA

E.O. 11652: N/A

TAGS: EFIN, CY, IMF

SUBJECT: IMF TEAM VISIT CYPRUS

1. IMF EXECUTIVE DIRECTOR LIEFTINCK, MEMBER IMF TEAM  
CURRENTLY VISITING CYPRUS, CALLED ON AMBASSADOR NOVEMBER  
14. WHILE TEAM HAS NOT YET FORMULATED ITS CONCLUSIONS,  
LIEFTINCK STATES IT IS THINKING ALONG FOLLOWING LINES:  
A) GOC COULD QUALIFY FOR ASSISTANCE BOTH UNDER IMF OIL  
FACILITY AND IMF EXPORT SHORTFALL FACILITY. ACCESS TO  
BOTH THESE FACILITIES MUST BE BASED ON EVIDENCE OF  
BALANCE OF PAYMENT PROBLEMS AND SHARP DRAWDOWN OF FOREIGN  
EXCHANGE RESERVES. FOREIGN EXCHANGE RESERVES ARE HIGH  
NOW (CPOUND 105 MILLION AT END AUGUST), BUT ARE LIKELY TREND  
DOWNWARDS AND WILL BE SHARPLY REDUCED IN CY 1975  
PRIMARILY AS RESULT OF 50 PERCENT REDUCTION EXPORT  
EARNINGS AND RESUMPTION OF IMPORTS. THEREFORE, GOC  
MUST BASE ITS CASE ON BALANCE OF PAYMENT STRAIN AND  
HEAVY LOSS OF RESERVES ANTICIPATED IN 1975, RATHER THAN  
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ON CONDITIONS PREVAILING DURING SECOND HALF 1974. GOC

CASE FOR IMFSUPPORT FURTHER STRENGTHENED BY FACT THAT GOC ATTEMPTS OBTAIN COMMERCIAL BANK LOANS IN LONDON AND NEW YORK (CHASE MANHATTAN) HAVE FAILED. LIEFTINCK BELIEVES THAT GOC COULD OBTAIN \$7 MILLION OIL FACILITY BASED ON ABOVE CASE BY END OF 1974, PROVIDED USG SUPPORTS ITS APPLICATION.

B) IMF TEAM VIEWS GOC SITUATION SYMPATHETICALLY AND WANTS TO HELP; TEAM IS ALARMED BY TURKISH DECISIONS APPARENTLY AIMED AT CREATING ECONOMICALLY AUTONOMOUS REGION IN TURKISH-CONTROLLED NORTH.

2. EMBASSY RECOGNIZES COMPLEXITIES INVOLVED IN IMF EXTENSION OF SPECIAL FACILITY ASSISTANCE BUT BELIEVES CASE AS OUTLINED BY LIEFTINCK, AND AS INDICATED BY OUR INITIAL APPRAISAL, MERITS CAREFUL STUDY, PARTICULARLY IN LIGHT OF GOC'S ANTICIPATED LOSS OF FOREIGN RESERVES IN CY 1975.

3. EMBASSY WOULD APPRECIATE RECEIVING EARLY INDICATIONS OF TEAM'S RECOMMENDATIONS TO IMF AS WELL AS COPY OF FINAL REPORT, WHEN AVAILABLE.  
PLEASE ADVISE WHAT INFORMATION WE COULD PROVIDE FROM THIS END TO ASSIST IN DEPARTMENT'S OWN EVALUATION OF THESE PROJECTS. CRAWFORD

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## Message Attributes

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